



**COUNTY OF LOS ANGELES
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April 23, 2008

TO: Supervisor Yvonne B Burke, Chair
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe *Wendy Watanabe*
Acting Auditor-Controller

SUBJECT: **MEXICAN AMERICAN OPPORTUNITY FOUNDATION CONTRACT – A
COMMUNITY AND SENIOR SERVICES WORKFORCE INVESTMENT
ACT PROGRAM PROVIDER**

We have conducted a program, fiscal and administrative contract review of Mexican American Opportunity Foundation (MAOF or Agency), a Community and Senior Services (CSS) Workforce Investment Act (WIA) Program provider.

Background

CSS contracts with MAOF, a private non-profit organization to provide and operate the WIA Youth and Foster Youth Special Needs Programs. The WIA Youth Program is a comprehensive training and employment program for in-school and out-of-school youth ages 14 to 21 years old. The WIA Foster Youth Special Needs Program is a comprehensive training and employment program for foster youths with special needs ages 14 to 18 years old. MAOF is located in the First District.

MAOF is compensated on a cost reimbursement basis and has a contract for \$164,173 for Fiscal Year (FY) 2007-08.

Purpose/Methodology

The purpose of the review was to determine whether MAOF complied with its contract terms and appropriately accounted for and spent WIA funds providing the services

"To Enrich Lives Through Effective and Caring Service"

outlined in their County contract. We also evaluated the adequacy of the Agency's accounting records, internal controls and compliance with federal, State and County guidelines. In addition, we interviewed a number of the Agency's staff and clients.

Results of Review

Overall, MAOF provided the required program services to eligible participants. However, MAOF did not meet the level of performance outlined in the County contract in FY 2006-07. MAOF also billed CSS \$3,489 for unallowable and unsupported program expenditures. Specifically, MAOF:

- Did not maintain adequate documentation to support program expenditures totaling \$886.
- Overbilled \$1,723 in program expenditures based on incorrect allocation percentages.
- Billed for unsupported payroll accruals totaling \$880.

In addition, the Agency did not always maintain appropriate documentation to support the program eligibility or accurately update the program activities on the Job Training Automation system for one (5%) of the 20 program participants sampled.

Details of our review along with recommendations for corrective action are attached.

Review of Report

We discussed our report with MAOF and CSS on March 24, 2008. In their attached response, MAOF concurred with our findings and recommendations.

We thank MAOF for their cooperation and assistance during this review. Please call me if you have any questions, or your staff may contact Don Chadwick at (626) 293-1102

WLW:MMO:DC

Attachment

- c: William T Fujioka, Chief Executive Officer
Cynthia Banks, Director, Department of Community and Senior Services
Martin Castro, President and CEO, Mexican American Opportunity Foundation
Teresa Sanchez Gordon, Chairperson, Mexican American Opportunity Foundation
Public Information Office
Audit Committee

**WORKFORCE INVESTMENT ACT PROGRAM
MEXICAN AMERICAN OPPORTUNITY FOUNDATION
FISCAL YEAR 2007-08**

ELIGIBILITY

Objective

Determine whether Mexican American Opportunity Foundation (MAOF or Agency) provided services to individuals that meet the eligibility requirements of the Workforce Investment Act (WIA).

Verification

We reviewed the case files for 20 (59%) of the 34 program participants that received services from July to December 2007 for documentation to confirm their eligibility for WIA program services.

Results

MAOF did not maintain appropriate documentation to support the program eligibility for one (5%) of the 20 program participants sampled. Specifically, MAOF did not maintain documentation to support the participant's employment eligibility as required by WIA regulations.

Recommendation

1. MAOF management ensure that staff obtain the appropriate documentation from the participants to determine the participants' eligibility for program services prior to enrollment.

BILLED SERVICES/CLIENT VERIFICATION

Objective

Determine whether the Agency provided the services in accordance with the County contract and WIA guidelines. In addition, determine whether the participants received the billed services.

Verification

We reviewed the documentation contained in the case files for 20 (59%) participants that received services from July through December 2007. We also interviewed eight participants/guardians.

Results

The eight participants/guardians interviewed stated that the services the participants received met their expectations. However, MAOF did not accurately update the program activities on the Job Training Automation (JTA) system for one (5%) of the 20 participants sampled. The JTA system is used by the State of California Employment Development Department and the Department of Labor to track WIA participant activities. This finding was also noted during the prior year's monitoring review.

Subsequent to our review, MAOF updated the JTA system to accurately reflect the program activities for the one participant.

Recommendation

- 2. MAOF management ensure that staff accurately update the Job Training Automation system to reflect the participants' program activities within 30 days as required.**

PERFORMANCE OUTCOMES**Objective**

Determine whether the Agency met the planned performance outcomes as outlined in the County contract and accurately reported the performance outcomes to the Workforce Investment Board (WIB).

Verification

We compared the reported Fiscal Year (FY) 2006-07 actual performance outcomes to the planned performance measures outline in the County contract and the program activities reported on the JTA system. We also reviewed the documentation contained in the case files for ten program participants reported as having completed training and/or placed in employment during FY 2006-07.

Results

Generally, MAOF's FY 2006-07 actual performance outcomes were accurately reported to the WIB. In addition, MAOF had documentation in the case file to support their program activities. However, MAOF did not meet all their performance goals for participant enrollments and exits. Specifically:

- Eleven (65%) youth exited the program. The performance goal was 17 or 85%.
- Eight (36%) foster youth exited the program. The performance goal was 22 or 85%.
- Twelve (50%) youth enrolled. The performance goal was 24 or 85%.

The County contract requires the Agency to maintain a performance level of 85% or higher compared to the planned performance level.

Recommendation

3. **MAOF management ensure that performance measures outlined in the County contract are met and provide an explanation to CSS on how they plan to improve their performance.**

CASH/REVENUE**Objective**

Determine whether cash receipts and revenues are properly recorded in the Agency's records and deposited timely in their bank account. In addition, determine whether there are adequate controls over cash, petty cash and other liquid assets.

Verification

We interviewed Agency personnel and reviewed financial records. We also reviewed the Agency's November 2007 bank reconciliation.

Results

MAOF maintained adequate controls to ensure that revenue was properly recorded and deposited in a timely manner.

Recommendation

There are no recommendations for this section.

EXPENDITURES/PROCUREMENT**Objective**

Determine whether program related expenditures are allowable under the County contract, properly documented and accurately billed.

Verification

We interviewed Agency personnel, reviewed financial records and reviewed documentation for 56 non-payroll expenditure transactions billed by the Agency for July, October and November 2007, totaling \$9,267.

Results

MAOF did not maintain adequate documentation to support program expenditures totaling \$714. Subsequent to our review, MAOF provided additional documentation to support \$288 of the \$714 unsupported expenditures.

Recommendations**MAOF management:**

4. **Repay CSS \$426 (\$714 - \$288).**
5. **Ensure that adequate documentation is maintained to support the program expenditures.**

ADMINISTRATIVE CONTROLS/CONTRACT COMPLIANCE**Objective**

Determine whether the Agency maintained sufficient internal controls over its business operations. In addition, determine whether the Agency is in compliance with other program and administrative requirements.

Verification

We interviewed Agency personnel, reviewed their policies and procedures manuals, conducted an on-site visit and tested transactions in various areas such as expenditures, payroll and personnel.

Results

Generally, MAOF maintained sufficient internal controls over its business operations and complied with program and administrative requirements. However, MAOF did not obtain a current fire inspection for the leased facility.

Subsequent to our review, MAOF provided their 2004 fire inspection report that had expired in 2007. In addition, MAOF did not provide documentation to show that the deficiencies noted during the fire inspection, such as exit pathways not being cleared, exit signs and fire extinguishers were resolved.

Recommendation

6. **MAOF management obtain a current fire inspection to ensure that the deficiencies noted during the 2004 fire inspection are resolved.**

FIXED ASSETS AND EQUIPMENT**Objective**

Determine whether MAOF's fixed assets and equipment purchases made with WIA funds are used for the WIA program and are safeguarded.

We did not perform test work in this section as MAOF did not use WIA funds to purchase fixed assets or equipment.

PAYROLL AND PERSONNEL**Objective**

Determine whether payroll expenditures were appropriately charged to the WIA program. In addition, determine whether personnel files are maintained as required.

Verification

We traced the payroll expenditures invoiced for three employees and six participants totaling \$5,123 for October 2007 to the Agency's payroll records and time reports. We also interviewed two employees and reviewed the personnel files for three staff assigned to the WIA program.

Results

MAOF billed the WIA program for unsupported accruals totaling \$880. MAOF's personnel files were properly maintained.

Recommendations

Refer to Recommendation 5.

7. MAOF management repay CSS \$880.

COST ALLOCATION PLAN**Objective**

Determine whether the Agency's Cost Allocation Plan was prepared in compliance with the County contract and the Agency used the plan to appropriately allocate shared program expenditures.

Verification

We reviewed MAOF's Cost Allocation Plan and reviewed a sample of expenditures incurred by the Agency during June, July, October, and November 2007 to ensure that the expenditures were properly allocated to the Agency's programs.

Results

MAOF's Cost Allocation Plan was prepared in compliance with the County contract. However, as previously indicated, MAOF billed CSS \$1,723 for program expenditures based on incorrect allocation percentages.

In addition, MAOF billed CSS \$460 for supplies that benefited multiple programs instead of allocating the shared program expenditures among the programs as required by the Agency's Cost Allocation Plan. Similar findings were also noted during the prior year's monitoring review.

Recommendations

MAOF management:

- 8. Repay CSS \$2,183.**
- 9. Allocate their expenditures based on the current Cost Allocation Plan.**

CLOSE-OUT REVIEW**Objective**

Determine whether the Agency's FY 2006-07 final close-out invoices were reconciled to the Agency's financial accounting records.

Verification

We traced the Agency's FY 2006-07 general ledgers to the Agency's final close-out invoices for FY 2006-07. We also reviewed a sample of expenditures incurred in May and June 2007.

Results

MAOF's close-out invoice reconciled to their financial accounting records.

Recommendation

There are no recommendations for this section.

PRIOR YEAR FOLLOW-UP**Objective**

Determine the status of the recommendations reported in the prior monitoring review completed by the Auditor-Controller.

Verification

We verified whether the outstanding recommendations from FY 2006-07 monitoring review were implemented. The report was issued in September 2007.

Results

The prior year's monitoring report contained eight recommendations. MAOF implemented five recommendations. As previously indicated, the findings related to Recommendations 2, 5 and 9 contained in this report were also noted during the prior year's monitoring review. MAOF management indicated that the Agency plans to implement the outstanding recommendations by June 30, 2008

Recommendation

- 10. MAOF management implement the outstanding recommendations.**



April 9, 2008

J. Tyler McCauley
Auditor-Controller
County of Los Angeles
Department of Auditor-Controller
Countywide Contract Monitoring Division
500 West Temple Street
Los Angeles, California 90012

Re: Mexican American Opportunity Foundation, Workforce
Investment Act Program, Program Year 2007-2008

The Mexican American Opportunity Foundation (MAOF) responses to the Program
Contract Review draft report as follows:

ELIGIBILITY

MAOF has collected all documentation necessary to verify eligibility requirements. Participant in question was at the time of enrollment an out-of-school youth, low income, legal right to work, living in one parent household, not basic skills deficiency. Participant did have an additional barrier which was employment difficulty and no direction of what he wanted to do with his life after High School. Currently he is register in post secondary education at East Los Angeles College and has completed other program activities which have given youth some sense of direction.

MAOF will ensure everything is documented properly and on a timely manner to avoid further eligibility discrepancies.

BILLED SERVICE/CLIENT VERIFICATION

MAOF staff will ensure this does not recur and that the Job training Automation (JTA) system is updated within 30 days as required. WIA staff will continue participating in any training seminar provided by Community and Senior Services to ensure effective tracking of WIA participant's activities on a timely manner.

PERFORMANCE OUTCOMES

MAOF did not meet the exit performance because most of the enrollments were completed in the last quarter. MAOF will work diligently in meeting enrollments as projected in the matrices to be able to meet exit performance goal by June 30, 2008.

EXPENDITURES/PROCUREMENT

MAOF agrees with recommendation for items 2 (\$269.76) & 3 (\$30.36) but not with 4 (\$65.18) & (\$60.90). Corrective action by MAOF will be that in the future the Project Director will order supplies and allocate by the actual number of participants or employees by time allocation. For item 4 (\$65.18) and (\$60.90) please see attached supporting documentations for bank service charges for July, October and November.

ADMINISTRATIVE CONTROLS/CONTRACT COMPLIANCE

MAOF management will contract with an appropriate fire inspection firm to resolve and correct the deficiencies noted in the 2004 fire inspection report in the next 30 days.

PAYROLL AND PERSONNEL

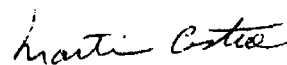
MAOF will reverse the accrual and it will be reflected on April's invoice that will be submitted see attachment.

COST ALLOCATION PLAN

For the rent allocations the September 2007 adjustment rent was completed in January 2008. July and August reallocation will be reflected on April's invoice. MAOF agrees to pay invoice's 22994 for \$147.28, 018377 for \$310.68 and 018378 for \$149.39.

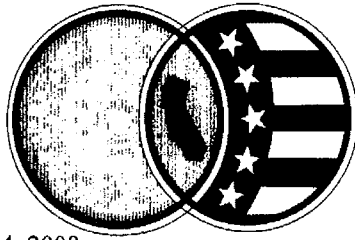
If there are any questions or need clarifications please contact Cathy Lugtu Financial Manager at (323) 278-3665.

Thank you,



Martin Castro
President CEO
Mexican American Opportunity Foundation

MEXICAN



AMERICAN OPPORTUNITY FOUNDATION

401 N. Garfield Ave. • Montebello, CA 90640 • (323) 890-9600 • FAX (323) 890-9637

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April 14, 2008

J. Tyler McCauley
Auditor Controller
County of Los Angeles
Department of Auditor-Controller
Countrywide Contract Monitoring Division
500 West Temple Street
Los Angeles, CA 90012

RE: Mexican American Opportunity Foundation, Workforce
Investment Act Program, Program Year 2007-2008

The Mexican American Opportunity Foundation (MAOF) responses to the Program
Contract Review draft report for additional clarification requirement as follows:

EXPENDITURES/PROCUREMENT

MAOF agrees to pay \$300.00 for Program Manager's materials and supplies expenses.
Please see Attachment A for the documentations of the balance of \$126.00 representing
bank charges for July, October & November 2007.

PAYROLL AND PERSONNEL

MAOF will reverse the accrual and it will be reflected on April 2008 invoice.

COST ALLOCATION PLAN

MAOF agrees to pay \$607.35, Program Manager's materials and supplies expenses. The
balance of \$1,576.35 are rent adjustments for July, August and September and will be
reflected in April 2008 invoice.

If you have further questions and clarifications, please contact Cathy Lugtu, Finance
Manager, at 323-278-3665 or email her @ clugtu@maof.org.

Thank you.

Sincerely,


MARTIN CASTRO
President and CEO